

**FINAL ACCOUNTS AND AUDIT COMMITTEE  
30 JUNE 2008**

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**DRAFT ANNUAL GOVERNANCE STATEMENT 07/08**

**Purpose of report**

1. To ask the Committee to consider a draft Annual Governance Statement for 2007/08 for preliminary comment before final approval is sought from the Committee at its meeting on 30 September 2008.

**Background**

2. The Council is required to prepare and publish an Annual Governance Statement (AGS) as part of its annual review of the effectiveness of its governance arrangements. The AGS should include:
  - an acknowledgement of responsibility for ensuring there is a sound system of governance, incorporating the system of internal control;
  - an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;
  - a brief description of the key elements of the governance framework, including reference to group activities where those activities are significant;
  - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
  - an outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.
3. Following the last meeting of the Committee in March the Assurance Group has begun work on the review of the Council's governance arrangements and has prepared a first draft of the AGS for 2007/08.

**Draft AGS - Content**

4. A copy of the draft AGS is attached at Appendix 1.
5. The draft reflects the elements described in paragraph 2 of this report and has regard to revised guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The draft is based on work undertaken to date and will be revised in the light of further reviewing of assurance sources by the Assurance Group and any observations of this Committee, Cabinet, Standards Committee

and the Audit Commission.

6. Section C describes the Council's governance framework for the relevant period, namely April 2007 to date. The final version will need to reflect the position up to the date of approval and signature in September 2008.
7. Section D provides a review of the effectiveness of the Council's governance framework, drawing upon evidence from the various sources of assurance agreed previously by the Committee.
8. The overall audit opinion based on the audit work completed during the year is that internal control is in place and is operating satisfactorily in relation to the various systems and procedures reviewed.
9. The Assurance Group is obtaining assurance statements from directors in relation to their services. These will be reviewed over the summer period and any issues which impact upon the Council's governance arrangements will be included in a further revision of the draft and highlighted at the next meeting.
10. Section E of the draft AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period i.e. the financial year 2007/08 through to the date of publication of the AGS at the end of September 2008.
11. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:
  - the issue has seriously prejudiced or prevented achievement of a principal objective;
  - the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
  - the issue has led to a material impact on the accounts;
  - the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
  - the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
  - the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
  - the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
12. At this stage it is proposed to include as a significant governance issue the combined impact of the Towards One Council Programme, and the implementation of the Business Management System. The risks associated with these projects are being managed through robust project management arrangements and regular reporting to the relevant programme boards and

member bodies.

13. The Audit Commission is being consulted on the content of the draft AGS and their comments will be taken into account in the presentation of the final version to the Committee in September.

#### **Financial implications**

14. There are no financial implications arising directly from the issues covered in this report.

#### **Risk Assessment**

15. There are no risks arising directly from the issues covered in this report.

#### **Recommendation**

16. The Committee is therefore asked:
  - a. to consider the draft AGS in Appendix 1 and to make any amendments or observations on the content.
  - b. to note that the draft AGS will be revised in the light of any comments this Committee may wish to make and the ongoing review work by the Assurance Group. It will then be considered by the Standards Committee and Cabinet before being brought back to this Committee for final approval for publication by 30 September 2008.

**IAN GIBBONS**  
**DEPUTY MONITORING OFFICER**

Report Authors: Ian Gibbons, Deputy Monitoring Officer  
Steve Memmott, Chief Internal Auditor

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#### **Unpublished documents relied upon in the production of this report:**

The CIPFA Finance Advisory Network – The Annual Governance Statement

**Environmental impact of the recommendations contained in the support: None**